March 18, 2015

Star Ferro & Cement (STAFER)

₹ 162

Leader of its own land…

Star Ferro Cement (SFCL) is the largest cement player in the North-East region (NER) with over 23% market share. Being located in a geographically complex region, SFCL enjoys a competitive advantage in the NER, which also imports cement from other neighbouring states leading to higher cement prices in the NER region. Demand growth in this region has consistently remained higher than the growth at pan-India level. In order to reduce imports, the company has expanded its capacity from 1.5MT in FY13 to 3.6 MT in FY15. This, in turn, has helped SFCL to gain market share in the NER. With the government's thrust on infrastructure development, we expect demand growth in this region to remain healthy over the next 3-4 years. Given this backdrop, we expect the company to clock revenue CAGR of 25.5% in FY15-17E. We initiate coverage on Star Ferro Cement with a BUY recommendation.

Growth momentum to continue led by favourable environment…

Improved capacity utilisation backed by the government's thrust on infrastructure development in the North East region, better pricing power and limited capacity addition are likely to remain key drivers for growth over FY15-17E. Adequate capacity is currently in place to capture the growth opportunity. Given this scenario, we expect the cement division to grow at a CAGR of 28.6% in FY14-17E. Further, we expect the ferro alloys division (7.5% of revenue) to show some visible signs of improvement with a revival in steel demand. Overall, we expect net sales to grow at a CAGR of ~25.5% to ₹ 2,315 crore in FY14-17E.

Value unlocking through de-merger of ferro business

The company has received all regulatory approvals to de-merge its ferro alloys segment into a new company "Shyam Century Ferrous Ltd". The entire process is likely to be completed by Q1FY16E. We believe this move will help the company to better focus on both businesses separately, which will eventually unlock value over the longer term.

Compelling valuations; initiate with BUY recommendation

Given the company's ability to generate over 2.0x EBITDA/tonne of its peer set and capability to expand through internal accruals, we believe SFCL will trade at premium valuations despite being a midcap cement player. However, given its current capacity, we have valued the company at 9.5x FY17E EV/EBITDA (i.e. at a 30% discount to large cap player's valuations and 10% premium over midcap peer-set companies) and arrived at a target price of ₹ 275/share, representing an upside of ~70%. It may be noted that any significant capex announcement (post FY16E) could impact the return ratios for our valuations.

Exhibit 1: Financial summary

(Year-end March)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales (₹ crore)	657.3	1,171.4	1,410.7	1,754.9	2,315.2
EBITDA (₹ crore)	118.3	254.9	426.2	492.1	644.8
Net Profit (₹ crore)	24.9	6.1	64.1	82.2	170.2
EPS (₹)	1.1	0.3	2.9	3.7	7.7
EV/EBITDA (x)	38.0	17.6	9.8	8.1	5.6
EV/Tonne (US$)	267.5	267.7	213.5	203.3	131.7
P/B (x)	5.3	5.3	5.1	4.7	4.0
RoCE (%)	3.8	5.2	10.8	13.4	21.5
RoE (%)	3.6	0.9	8.8	10.5	18.4

Source: Company, ICICIdirect.com Research

Rating Matrix

Rating	:	Buy
Target	:	₹ 275
Target Period	:	12-15 months
Potential Upside	:	70%

YoY Growth (%)

(YoY Growth)	FY14	FY15E	FY16E	FY17E
Net Sales	78.2	20.4	24.4	31.9
EBITDA	115.4	67.2	15.5	31.0
Net Profit	(75.5)	950.1	28.2	107.1
EPS (₹)	(75.5)	950.1	28.2	107.1

Valuation Summary

	FY14	FY15E	FY16E	FY17E
P/E	NA	57	45	22
Target P/E	NA	90	70	34
EV / EBITDA	17.6	10.2	8.7	6.2
EV / Tonne	268	221	219	146
Price/Book value	5.3	5.1	4.7	4.0
RoCE	5.2	10.8	13.4	21.5
RoNW	0.9	8.8	10.5	18.4

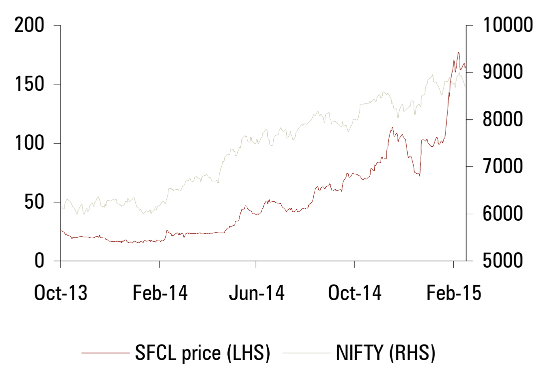
Stock Data

Market Capitalization	₹ 3665.8 Crore
Total Debt (FY14)	₹ 844.3 Crore
Cash and Investments (FY14)	₹ 12.7 Crore
EV	₹ 4497.4 Crore
52 week H/L	189 / 20
Equity capital	₹ 22.2 Crore
Face value	₹ 1
MF Holding (%)	Nil
FII Holding (%)	0.3

Comparative return matrix (%)

Return (%)	1M	3M	6M	12M
Star Cement	64.5	52.1	181.1	683.1
Shree Cement	(3.5)	18.8	23.9	104.6
Heidelberg	0.2	(5.5)	(1.1)	100.5
JK Lakshmi	0.5	(7.8)	19.2	297.8

Price movement



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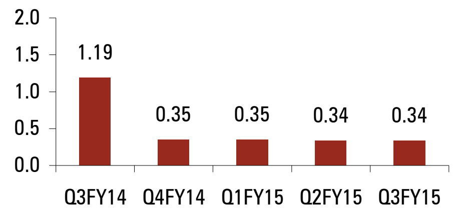
Shareholding pattern

(in %)	Mar-14	Jul-14	Sep-14	Dec-14
Promoter	70.9	68.9	67.0	67.0
FII	0.4	0.4	0.3	0.3
DII	Nil	Nil	Nil	Nil
Others	28.8	30.7	32.7	32.7

FII & DII holding trend (%)



Company background

Star Ferro & Cement Company (SFCL) is the de-merged entity of Century Plywood incorporated in 2011. The company got demerged with effect from April 1, 2012. It has two major business segments 1) cement and 2) ferro alloys, of which cement contributes nearly 90% of the total topline.

The company has a cement owned manufacturing capacity of 3.1 MT (clinker capacity of 2.6 MT), in the North East region (Assam & Meghalaya). SFCL sells cement under the brand name 'Star Cement' and has a market share of 23% in the NE region. The company enjoys the advantage of having its own captive limestone mines, situated at close proximity to large reserves of coal at a distance of only 25 km. This limestone mine has reserves of 300 million tonnes (MT), which is enough to meet all its raw material requirements (based on expanded capacity) for the next 70 years. The unit is also entitled to various fiscal incentives as per the North East policy of the Central government and the state government. The unit uses state-of-the-art dry process rotary kiln technology and manufactures high grade Ordinary Portland Cement (OPC), Pozzolana Portland Cement (PPC) and other specialty grades required for infrastructure projects.

The company's ferro alloy unit is situated in Meghalaya, where there is abundant availability of raw material. SFCL currently has capacity of 27 MVA, which was expanded by 9 MVA in FY13. Being a high power intensive business, the cost of power is critical to the competitiveness of the product. Almost 40% of the total cost per tonne of ferro alloys is accounted for by power. To combat this problem, the company has increased its total power capacity from 13.8 MW to 51 MW to ensure uninterrupted production.

Exhibit 2: Segmental Details

	Cement	Ferro Alloys	Power
Capacity (As on Q3FY15)	Owned - 3.1 MT (Assam-1.8, Meghalaya-1.32)	27 MVA	51 MW
Revenue share (FY14)	~87% ₹ 1027 crore	~12% ₹ 146 crore	~1% (Captive use)
Value growth (FY14)	65%	108%	NA
EBIT margin (FY13-14 Average)	6.6%	11.5%	NA

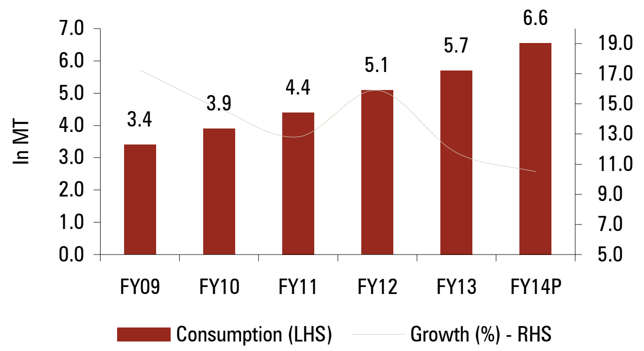
Source: Company, ICICIdirect.com Research

Investment Rationale

Geographical complexity, limited capacity provide strong pricing power to players in NE region…

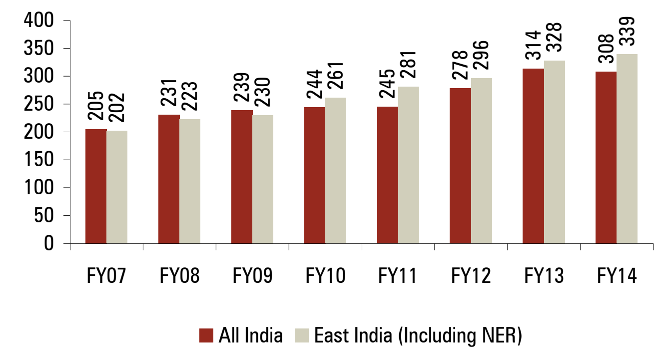
Cement is a highly localised industry due to its unique characteristic of being a bulky but low value product. Proximity to either source of raw material (limestone) or end market is imperative to keep the cost of end product (cement) competitive. The overall cement market of the North East is estimated to be a ~7-8 MTPA against which total cement production in the North East is ~5-6 MTPA, with the deficit being met from outside North East. This demand supply mismatch and high logistic cost of bringing cement from outside North East has resulted in the region being a high price-end market. At present, the Star Cement unit is the largest cement unit of the North East followed by Dalmia Bharat Cement and has the twin advantage of proximity to raw material and close proximity to the highest price-end market with ~23% market share.

Exhibit 3: Cement consumption growth in NER



Source: Company, ICICIdirect.com Research

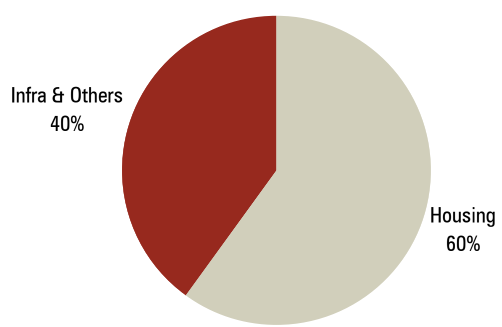
Exhibit 4: Price trend in eastern region (For 50kg bag)



Source: Company, ICICIdirect.com Research

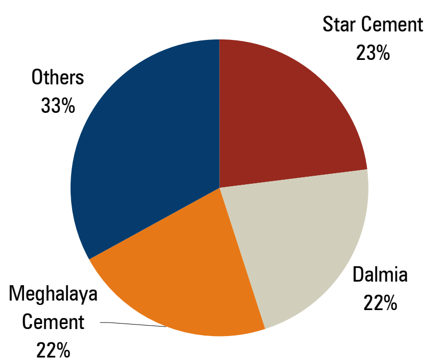
While the group of states in the NER region have recorded overall cement demand growth of around ~13.5% over 2010-11 to 2012-13, cement consumption in this region still lags that of some of the other major eastern markets like Bihar. Among NE states, Assam is the largest consumer of cement, with housing and infrastructure development driving demand. There has been healthy demand in the housing sector from projects mainly around Guwahati, Tezpur, Nagaon, Jorhat and Dibrugarh. Moreover, traditional bamboo houses are being upgraded to permanent structures. On the infrastructure front, the road and railway projects in the state have driven cement consumption.

Exhibit 5: Housing contributes over 60% of total demand in NER



Source: Company, ICICIdirect.com Research

Exhibit 6: Market leader in NER (FY14)



Source: Company, ICICIdirect.com Research

Benefits to companies located in NER region under NEIIPP' 2007

To boost investments in the NER region, the government has introduced a package of fiscal incentives under the North East Industrial policy (NEIP) in 1997 for 10 years. In 2007, this policy widened its benefits to Sikkim under the new policy *'North East Industrial and Investment Promotion Policy'*, which was not there in the earlier policy.

- All new as well as existing units that go in for substantial expansion, unless otherwise specified, and which commence commercial production within the 10 years from the date of notification of NEIIPP, 2007 will be eligible for incentives for ten years from the date of commencement of commercial production
- Incentives will be available to all industrial units, new as well as existing units on their substantial expansion, located anywhere in the North Eastern Region. Consequently, the distinction between 'thrust' and 'non-thrust' industries made in NEIP, 1997 will be discontinued from April 1, 2007
- Also, 100% excise duty exemption will be continued, on finished products made in the North Eastern Region, as was available under NEIP, 1997
- Total 100% income tax exemption will continue under NEIIPP, 2007 as available under NEIP, 1997
- The capital investment subsidy has been enhanced from 15% of the investment in plant & machinery to 30%
- Interest subsidy will be made available @ 3% on working capital loan under NEIIPP, 2007 as was available under NEIP, 1997
- Transport subsidy for NER is 90% of the transport cost for transportation of raw material and finished goods to and from the location of unit and designated railhead. However, for movement of goods within NER, the subsidy is 50%. This benefit is available for five years from the date of commencement of commercial production

Source: (http://www.nedfi.com/?q=node/181)

Benefits to Star Cement under this policy

The company commissioned capacity of 1.8 MT (74% of current total capacity) in FY13 leading to total capacity of 2.42 MT. Hence, SFCL will continue to benefit significantly under this new policy till FY18E.

Exhibit 7: Benefits under NEIIPP 2007 scheme

Particulars	Benefits per tonne	Valid till
Excise duty	₹100-150/tonne	FY23
VAT exemption	₹150-200/tonne	FY20
Transport subsidy	₹250-300/tonne	FY18
Total benefits	₹500-650/tonne	

Source: Company, ICICIdirect.com Research

The Union Budget has laid thrust on infrastructure development through decisive policy-making and increased fund allocation. This impetus is expected to drive the demand for steel and cement at the pan-India level

New government's thrust on infrastructure provides ample growth opportunities in NER

The country's North East region has remained far behind as far as connectivity by rail and road is concerned compared to other states of India. However, despite NER being extremely rich in terms of natural resources, it has been unable to catch up with the pace of development that has taken place in India. Important parameters like per capita GDP and electricity consumption, compared to the rest of India, also suggest that a lot of effort is still required for the socio-economic development of the region. Keeping this wide gap in consideration, the central government has started focusing more on the development of this region through some effective measures like:

Roads

- Special Accelerated Road Development Programme for North East (SARDP-NE) and National Highway Development Programmes (NHDP) for NER for 10141 km that will result in over ~18MT of demand in NER region over next few years.

Airports

- Five sanctioned, eight in the pipeline, ₹5000 crore investment is expected in the next 10 years

Railways

- Also, 20 ongoing new lines, gauge conversion & double line projects in NER are being executed at an estimated cost of ₹38,360 crore

Hydropower

- Largest hydro power potential in India is in NER with 98% still untapped, 63000 MW of hydro power capacity has been identified. Also, 14000 MW has already been allotted to private players that will result in ~14 MT of cement demand

Based on these developments that are envisaged to take place in the North Eastern region, we expect cement demand in the region to grow at a CAGR of 11-12% per annum, which is the highest among all regions in the country.

Utilisation levels in eastern region to remain healthy in next two to three years due to limited capacity addition

While the eastern region is likely to see a net capacity addition of over ~17 MT, which will be spread across three years, no major capacity addition is expected in the North-East over the next two years as it has sufficient capacity already built in. This, along with healthy demand growth, will lower the intensity of competition in the region over the next two or three years, thus improving the operating environment for the players.

Exhibit 8: Upcoming capacity in Eastern region

Capacity addition in Eastern region	FY15E	FY16E	FY17E
ACC		1.1	2.5
Dalmia-Calcom	1.5		
JKL-Durg	1.7		
JKL-Odisha			1.0
Shree-Bihar	2.0		
Shree-Chhatisgarh		2.0	2.0
Ultratech-Raipur	1.6	1.6	
Total	6.8	4.7	5.5

Source: Company, ICICIdirect.com Research

Star Ferro & Cement: Cement division

Dominant player in North-East region

At present, the Star Cement unit is the largest cement unit in the North East followed by Dalmia Bharat Cement and has a twin advantage of proximity to raw material and close proximity to the highest price-end market with ~23% market share. The company enjoys an advantage of geographical complexity and various fiscal benefits under NE industrial policy (NEIIPP 2007). This includes 100% excise exemption, 100% income tax exemption, capital investment subsidy up to 30% of the investment in plant & machinery, interest subsidy at 3% of working capital loan, transport subsidy, etc. to boost investments. As a result, it generates healthy EBITDA/tonne which is over ~2.0x of cement players at pan-India level.

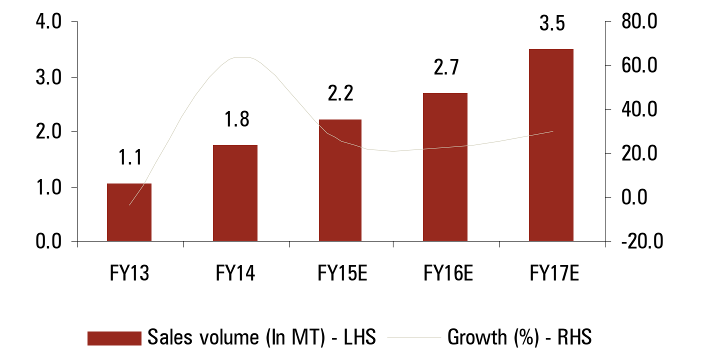
To meet the demand and reduce the dependence from import of cement from other states, the company has increased its total cement capacity from 1.27 MT in FY12 to 3.1 MT in FY14. The company has also taken two grinding units on hire and its capacity is (800+600) tonnes per day, which is 0.46 MT. This leads to a total capacity of ~3.6 MT. Further, the company is planning to have one own grinding unit of 1.0 MT, which will be expected to be operational by October 2016. Moreover, SFCL is exploring opportunities in Bangladesh, which imports 10-15 MT of clinker annually as the country does not have its own supply of limestone. Given this backdrop, we expect SFCL to clock healthy volume CAGR of 25.6% in FY14-17E. We also expect prices to remain at elevated levels and expect cement prices to grow at 2.1% annually.

Exhibit 9: Current capacity details

Sr no	Location	Clinker Capacity (MT)	Cement Capacity (MT)	Category	Remarks
1	Meghalaya	0.8	0.62	Integrated unit	
2	Meghalaya	1.8	0.70	Clinker unit	Q4FY13
3	Guwhati (Assam)		1.80	Grinding unit	Q4FY13
4	West Bengal		0.46	Grinding unit	On lease from Q3FY15
	Total	2.60	3.58		

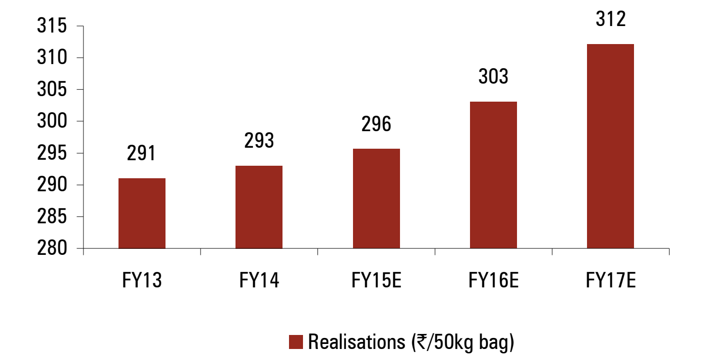
Source: Company, ICICIdirect.com Research

Exhibit 10: Cement volumes to grow at 25.6% CAGR during FY14-17E



Source: Company, ICICIdirect.com Research

Exhibit 11: Realisations to grow gradually at 2.1% per annum

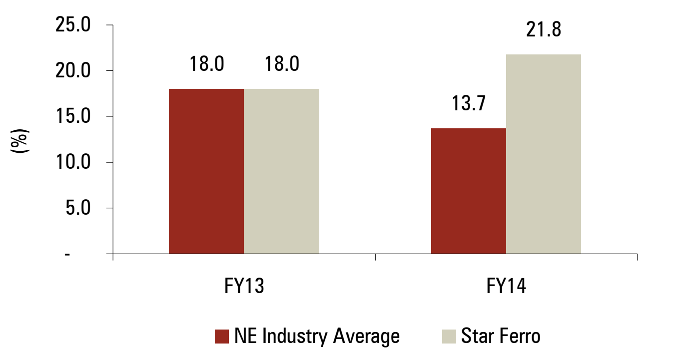


Source: Company, ICICIdirect.com Research

Operates at healthy margins vs. its peer set

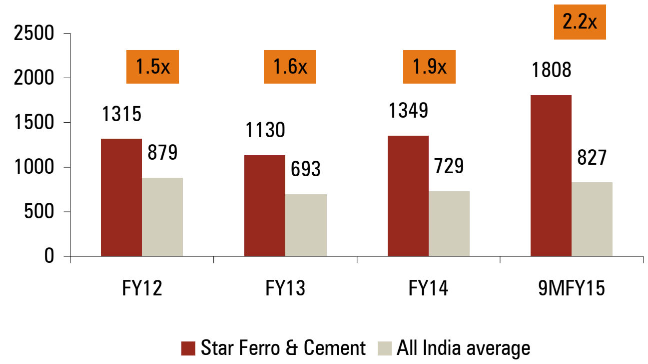
The company has constantly remained ahead of the industry in terms of margins in the past two years. This is evident from the fact that the company enjoys the advantage of its own captive limestone mines, which is situated at a close proximity of large reserves of coal at a distance of only 25 km. The unit uses state of the art dry process rotary kiln technology to manufacture high grade Ordinary Portland Cement (OPC), Pozzolana Portland Cement (PPC) required for infrastructure projects. The company has also achieved self sufficiency in terms of power requirement through setting up a 51 MW power plant.

Exhibit 12: Operating margin (%)



Source: Company, ICICIdirect.com Research

Exhibit 13: Cement EBITDA/tonne comparison

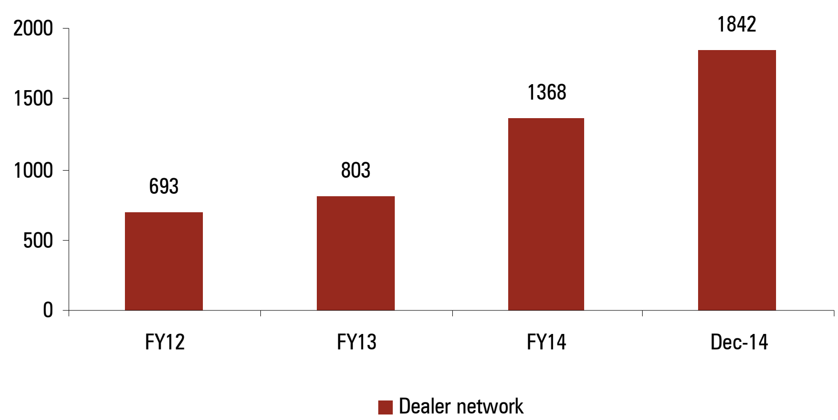


Source: Company, ICICIdirect.com Research

Focus on strengthening distribution, marketing initiatives, brand image

Despite a moderation in demand in NER in FY14, SFCL has been able to grow sales volume by 37%. This has also helped the company to gain market share from 18% to 23% in the same period. Apart from strengthening its footprint in the NER region, the company has also expanded its dealer network in the West Bengal and Bihar market. A huge marketing and visibility campaign has been put in place to have better brand visibility and top of the mind recall among users of cement in all these markets. In addition, the company is also exploring the possibility of introducing its product in the markets of neighbouring countries viz. Nepal, Bhutan and Bangladesh.

Exhibit 14: Dealer network has grown at robust rate of 38.5% in FY12-9MFY15



Source: Company, ICICIdirect.com Research

The Indian ferro alloy industry has a capacity of 5.1 5MT, accounting for 10% of ferro alloys production

Ferro alloys segment

The company's ferro alloy unit is situated in Meghalaya, where there is abundant availability of raw material and the unit is entitled to various fiscal incentives as per the North East policy of Central and state governments. The only problem that can disrupt production is availability of power, as the production process of ferro alloy is highly power intensive (40% of total costs) and supply of power in Meghalaya is erratic. To combat this problem, the company has installed a captive power plant to ensure uninterrupted production. When the demand for ferro alloy dampens, the company stops ferro alloy production and starts to sell the power generated out of its captive power unit. This helps SFCL to recover its overheads and maintain the overall annual performance of the ferro alloy division.

In 2013-14, the performance of the ferro alloys sector remained dull, as steel, the key user sector for ferro alloys, witnessed lacklustre demand. While steel production grew by 7% to 88MT in 2013-14, end-user steel demand remained sluggish (up 0.6% YoY) on account of the project implementation logjam emanating from a number of infrastructural projects getting delayed due to environmental and other clearances.

However, we believe the long term growth story continues to remain intact. As per the Twelfth Five Year Plan, an increase in infrastructure spending (worth US$1 trillion) could translate into additional steel demand of 40 MT per annum between FY13 and FY17E.

Exhibit 15: Estimated ferro alloy demand during Twelfth Five Year Plan

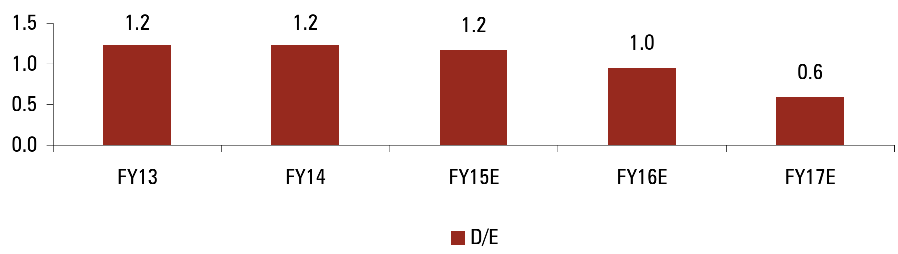
	FY13	FY14	FY15	FY16	FY17	CAGR % (5 year)
Manganese ore	4.54	4.98	5.57	6.18	6.82	10.7
Chromiteore	2.9	3.19	3.52	3.93	4.31	10.4
Silico manganese	1.42	1.56	1.74	1.94	2.16	11.1
Ferro manganese	0.51	0.57	0.64	0.7	0.86	14.0
Ferro silicon	0.26	0.28	0.31	0.34	0.38	10.0
Ferro chrome	1.16	1.28	1.41	1.57	1.73	10.5
Refractories	1.29	1.42	1.56	1.74	1.89	10.0

Source: Company, ICICIdirect.com Research

Financial leverage to improve led by strong operating

After doing major capacity addition during FY12-14, the company plans to achieve optimum capacity utilisation of over 80% by FY17E. This, in turn, would help the company to generate an operating cash flow of ~₹ 700 crore over the next two years, which, in turn, can be used to fund its major capex programme, going forward. At present, SFCL is adding 1.0 MT of grinding unit in West Bengal at a capex of only ~₹ 180 crore. Hence, with limited capex plans, the company is currently better placed to reduce its debt significantly over the next two years.

Exhibit 16: D/E ratio to improve, going forward…



Source: Company, ICICIdirect.com Research

Financials

Expect revenue CAGR of 25.5% during FY14-17E led by pick-up in demand

Improved capacity utilisation backed by the government's thrust on infrastructure development in the North East region, better pricing power and limited capacity addition are likely to remain key drivers for growth over FY15-17E. Adequate capacity is currently in place to capture the growth opportunity. Given this scenario, we expect the cement division to grow at a CAGR of 28.6% in FY14-17E. Further, we expect the ferro alloys division (7.5% of revenue) to show some visible signs of improvement with a revival in steel demand. Overall, we expect net sales to grow at a CAGR of ~25.5% to ₹ 2,315 crore in FY14-17E.

Exhibit 17: Revenue projections

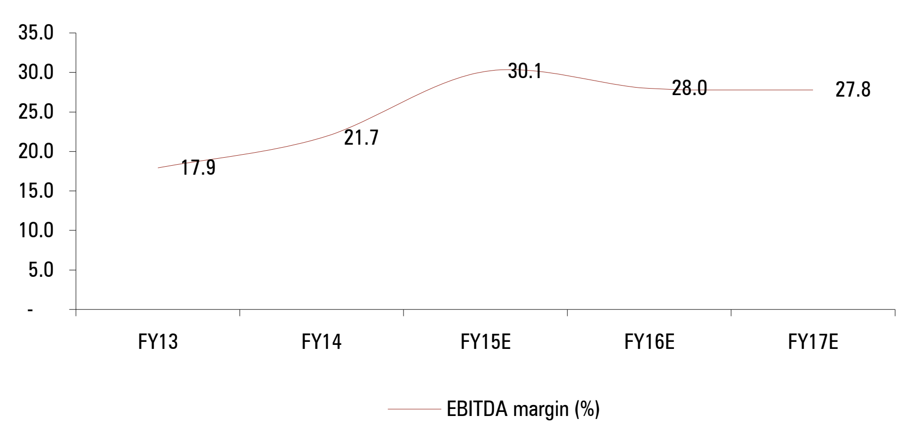
Particulars	FY13	FY14	FY15E	FY16E	FY17E	CAGR (FY14-17E)
Cement	622.5	1026.7	1302.3	1636.3	2184.8	28.6
Growth (%)		64.9	26.8	25.7	33.5	
% of sales		87.6	92.3	93.2	94.4	
Ferro alloys	68.3	145.5	107.8	118.5	130.4	-3.6
Growth (%)		113.0	-25.9	10.0	10.0	
% of sales		12.4	7.6	6.8	5.6	
Power	0.7	0.0	0.7	0.0	0.0	NA
Growth (%)		NA	NA	NA	NA	
% of sales		0.0	0.0	0.0	0.0	
Total	691.5	1172.2	1410.7	1754.9	2315.2	25.5
Growth (%)		69.5	20.4	24.4	31.9	

Source: Company, ICICIdirect.com Research

Margins to improve with better utilisations & fiscal benefits

We expect EBITDA margins at 27.8% in FY17E from 21.7% in FY14 on account of an improvement in utilisation rates of the expanded capacity of the North-East plant and a healthy pricing environment.

Exhibit 18: Margin trend (%)

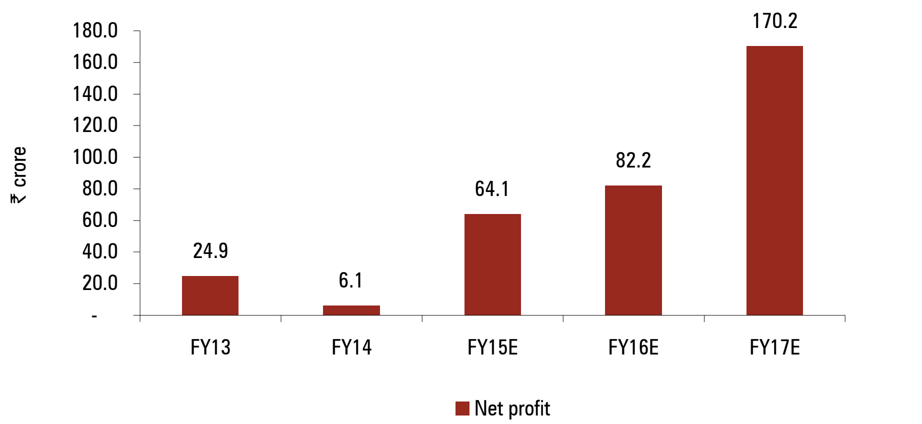


Source: Company, ICICIdirect.com Research

Net profit to grow 3x in next two years due to healthy demand outlook

With a sharp rise in capacity and operating leverage benefits, we expect net profit to jump 3x over next two years to ₹ 170.2 crore by FY17E.

Exhibit 19: Profitability growth trend

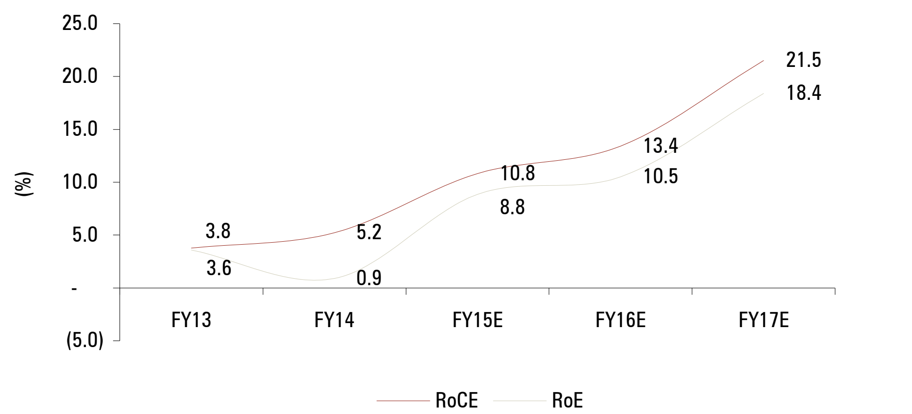


Source: Company, ICICIdirect.com Research

Return ratios to remain healthy….

With an improvement in profitability aided by a better operating performance, we expect the return ratios of the company to remain healthy. We expect RoCE and RoE to improve to 21.5% and 18.4%, respectively, over the next two years.

Exhibit 20: Return ratios trend



Source: Company, ICICIdirect.com Research

Risks & Concerns

Rollback of benefits under 'NEIIPP 2007'

To boost investments in the NER region, the government has introduced a package of fiscal incentives under North East Industrial policy (NEIP) in 1997 for 10 years. In 2007, this policy benefits was widened to include Sikkim under the new policy *'North East Industrial and Investment Promotion Policy (NEIIPP',* which was absent in the earlier policy. The benefit to players in NER is currently available for 10 years (i.e. till 2017). Although we expect the government to extend the current benefits beyond 2017, withdrawal of any such benefits may lead to a negative impact on margins.

Exhibit 21: Benefits enjoyed by Star Ferro

Particulars	Benefits per tonne	Valid till
Excise duty	₹100-150/tonne	FY23
VAT exemption	₹150-200/tonne	FY20
Transport subsidy	₹250-300/tonne	FY18
Total benefits	₹500-650/tonne	

Source: Company, ICICIdirect.com Research

Sharp rise in diesel prices as road accounts for 80% of total transport

Since road freight accounts for 80% of total freight cost, any sharp increase in diesel prices may hurt margins, going forward.

Slowdown in demand may lead to lower capacity utilisations

We expect the demand environment to remain healthy in the next three to four years on account of the government's strong focus on infrastructure development pan-India as well as north-eastern states. Further, due to limited capacity addition in NER, we expect plant utilisation to improve significantly during our forecast period. Hence, any delay in infrastructure development on part of the government remains a key risk to our call.

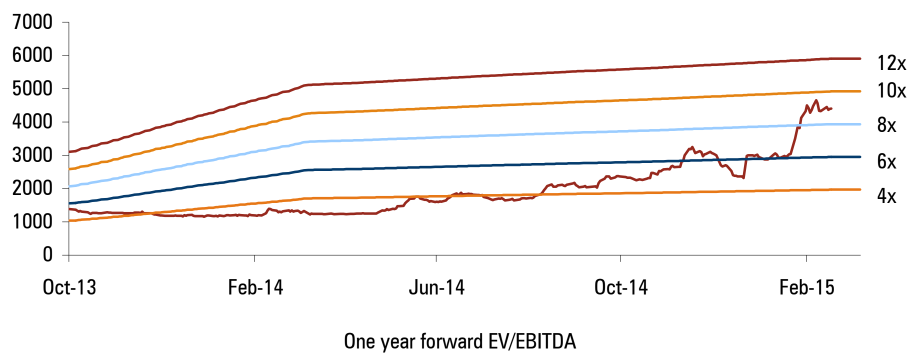
Valuations

A high entry barrier due to geographical complexity and limited resources for the cement industry in the NER coupled with the new government's focus towards infrastructure development augur well for Star Ferro. Being the largest player in the NER, we feel the company will continue to be the leader as it has already met its major capacity requirements over the next three to four two years. Better capacity utilisation along with export opportunities in Bangladesh are expected to lead to revenue growth and margin expansion, going forward.

We expect SFCL to witness a sharp improvement in capacity utilisation (through aggressive marketing efforts) and higher cash flow generation. With this, the debt to equity is expected to come down significantly by FY17E. As a result, the RoCE is anticipated to be over 21%. We expect the company to report revenue and EBITDA CAGR of 25.5% and 36.2%, respectively, over the next three years (FY14-17E).

Given the company's ability to generate over 2.0x EBITDA/tonne vs. its peer set and potential to expand through internal accruals, we expect Star Ferro to remain ahead of its peers in terms of valuations. However, given its current scale of operations, we have valued the company at 9.5x FY17E EV/EBITDA vs. industry average of 11.3x (i.e. at a 30% discount to large-cap player's valuations and 10% premium over midcap peer set companies valuation), thereby arriving at a target price of ₹ 275/share, representing an upside of over 70%. It may be noted that any significant capex announcement (post FY16E) could impact the return ratios for valuations.

Exhibit 22: One year forward EV/EBITDA



Source: Company, ICICIdirect.com Research

Exhibit 23: Peer comparative matrix

Company	M Cap (₹ Cr)	EV/EBITDA (x) FY14	FY15E	FY16E	FY17E	EV/Tonne ($) FY14	FY15E	FY16E	FY17E	RoCE (%) FY14	FY15E	FY16E	FY17E	RoE (%) FY14	FY15E	FY16E	FY17E
ACC*	30,590	20.6	23.2	17.4	15.6	153	158	145	145	9.9	8.3	10.2	10.5	14.0	14.1	11.9	12.4
Ambuja Cement*	40,294	23.0	0.0	16.8	14.1	164	164	186	183	11.4	0.0	13.5	13.6	13.6	0.0	13.4	13.4
UltraTech Cem	81,766	22.7	20.7	15.8	12.1	242	217	190	174	11.9	10.8	12.7	15.9	12.5	11.9	13.1	15.7
Shree Cement ^	37,584	27.7	25.5	20.6	17.2	303	250	228	228	13.0	11.0	12.8	14.1	16.7	13.5	15.3	15.9
Heidelberg Cem*	1,813	35.4	11.0	12.4	10.2	94	93	93	93	-0.5	6.2	6.1	8.0	-4.9	5.1	4.9	8.1
India Cement	3,011	10.8	8.1	6.3	5.4	69	65	64	63	3.9	7.1	9.0	10.6	-0.9	2.0	4.1	6.2
JK Cement	4,804	5.5	5.9	8.8	12.9	139	98	101	94	5.2	5.9	6.6	12.5	5.2	5.9	6.6	12.5
JK Lakshmi Cem	4,461	18.3	16.0	11.7	8.5	139	106	99	89	6.1	7.7	9.6	13.5	7.1	9.4	12.6	15.7
Mangalam Cem	766	23.1	12.3	7.4	5.7	55	55	57	56	2.1	6.2	12.1	15.4	5.8	4.4	10.8	13.9
Average		**20.8**	**13.6**	**13.0**	**11.3**	**151**	**134**	**129**	**125**	**7.0**	**7.0**	**10.3**	**12.7**	**7.7**	**7.4**	**10.3**	**12.6**
SFCL	3,666	17.6	10.2	8.7	6.2	268	221	219	146	5.2	10.8	13.4	21.5	0.9	8.8	10.5	18.4

Source: Bloomberg, Company, ICICIdirect.com Research

Exhibit 24: Profit & Loss Account

(₹ Crore)

(Year-end March)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	657.3	1,171.4	1,410.7	1,754.9	2,315.2
Other Operating Income	2.3	1.9	3.8	4.2	4.6
Total Operating Income	659.6	1,173.3	1,414.5	1,759.0	2,319.8
Other Income	1.7	2.4	2.7	3.0	3.3
Total Revenue	661.3	1,175.7	1,417.2	1,762.0	2,323.1
-	-	-	-	-	-
Raw Material Expenses	119.4	209.6	232.6	284.8	378.0
Employee Expenses	41.0	78.9	99.4	124.2	162.8
Other Expenses	405.2	637.7	676.1	857.8	1,134.3
Total Operating Expenditure	541.3	918.4	988.3	1,266.9	1,675.0
	-	-	-	-	-
EBITDA	118.3	254.9	426.2	492.1	644.8
Interest	28.6	87.2	93.3	82.2	60.1
PBDT	91.4	170.1	335.6	412.9	587.9
Depreciation	50.3	161.6	226.5	246.8	251.3
PBT before Exceptional Items	41.1	8.5	109.1	166.1	336.6
Less: Exceptional Items	(0.2)	0.9	0.6	-	-
PBT	41.3	7.6	108.6	166.1	336.6
Total Tax	3.7	2.7	22.2	55.3	112.1
PAT before MI	37.6	4.9	86.4	110.8	224.5
Minority Interest	12.7	(1.2)	22.3	28.6	54.3
PAT	24.9	6.1	64.1	82.2	170.2
EPS	1.1	0.3	2.9	3.7	7.7
EPS (Adjusted)	1.1	0.3	2.9	3.7	7.7

Source: Company, ICICIdirect.com Research

Exhibit 25: Balance sheet

(₹ Crore)

(Year-end March)	FY13	FY14	FY15E	FY16E	FY17E
Equity Capital	22.2	22.2	22.2	22.2	22.2
Reserve and Surplus	670.5	664.1	702.1	758.3	902.5
Total Shareholders funds	692.7	686.3	724.4	780.5	924.7
Total Debt	856.1	844.3	844.3	744.3	544.3
Deferred Tax Liability	4.1	4.5	4.5	4.5	4.5
Other Non Current Liabilities	80.0	72.8	72.8	72.8	72.8
Minority Interest	253.8	252.9	275.1	303.7	358.1
Liability side total	1,886.6	1,860.7	1,921.1	1,905.8	1,904.4
Total Gross Block	1,415.4	1,582.4	1,732.4	1,882.4	1,982.4
Less Total Accumulated Depreciatior	251.0	410.7	637.2	884.0	1,135.3
Net Block	1,164.5	1,171.7	1,095.2	998.4	847.1
Total CWIP	128.9	99.5	99.5	99.5	99.5
Total Fixed Assets	1,293.4	1,271.2	1,194.7	1,097.9	946.6
Other Investments	1.5	1.5	1.5	1.5	1.5
Inventory	150.0	175.5	204.8	254.8	336.2
Debtors	42.7	109.7	88.9	110.6	145.9
Loans and Advances	222.2	286.8	253.9	280.8	277.8
Other Current Assets	322.7	349.4	366.8	438.7	486.2
Cash	27.1	12.7	183.9	133.6	207.7
Total Current Assets	764.6	934.0	1,098.4	1,218.5	1,453.7
Creditors	72.3	148.7	173.9	216.4	285.4
Provisions	1.8	2.2	2.5	3.1	4.1
Other Current Liabilities	99.1	195.5	197.5	193.0	208.4
Total Current Liabilities	173.3	346.4	374.0	412.5	498.0
Net Current Assets	591.4	587.6	724.4	806.0	955.8
Assets side total	1,886.3	1,860.3	1,920.7	1,905.4	1,904.0

Source: Company, ICICIdirect.com Research

Exhibit 26: Cash flow statement

(₹ Crore)

(Year-end March)	FY13	FY14	FY15E	FY16E	FY17E
Profit after Tax	24.9	6.1	64.1	82.2	170.2
Depreciation	50.3	161.6	226.5	246.8	251.3
Interest	28.6	87.2	93.3	82.2	60.1
Cash Flow before working capital ch	103.8	255.0	383.9	411.2	481.6
Net Increase in Current Assets	(737.5)	(183.8)	6.9	(170.4)	(161.2)
Net Increase in Current Liabilities	173.3	173.2	27.5	38.6	85.4
Net cash flow from operating activiti	(460.5)	244.3	418.3	279.4	405.8
	-	-	-	-	-
(Purchase)/Sale of Fixed Assets	(1,343.7)	(139.5)	(150.0)	(150.0)	(100.0)
Other Investments	(1.5)	-	-	-	-
	4.1	0.4	-	-	-
Inc / (Dec) in Equity Capital	80.0	(7.2)	-	-	-
Inc / (Dec) in Loan Funds	253.8	(0.9)	22.3	28.6	54.3
Inc / (Dec) in Loan Funds	-	-	-	-	-
Net Cash flow from Investing Activiti	(1,007.3)	(147.2)	(127.7)	(121.4)	(45.7)
	-	-	-	-	-
Equity Capital	22.2	-	-	-	-
Secured Loan	525.6	(108.0)	-	(100.0)	(200.0)
Closing Cash/ Cash Equivalent	239.3	-	-	-	-
Short-Term borrowings	91.1	96.2	-	-	-
Dividend payouts	-	(12.2)	(26.0)	(26.0)	(26.0)
Transfer to general reserve	-	(0.4)	-	-	-
Transfer to statutory reserves	-	0.1	-	-	-
	(28.6)	(87.2)	93.3	82.2	60.1
	849.6	(111.5)	(119.3)	(208.3)	(286.2)
Net Cash flow	(618.2)	(14.4)	171.2	(50.3)	74.0
Cash at Beginning	645.2	27.1	12.7	183.9	133.6
Closing Cash/ Cash Equivalent	27.1	12.7	183.9	133.6	207.7

Source: Company, ICICIdirect.com Research

Exhibit 27: Key ratios

(Year-end March)	FY13	FY14	FY15E	FY16E	FY17E
Per Share Data					
EPS	1.1	0.3	2.9	3.7	7.7
Cash EPS	3.4	7.5	13.1	14.8	19.0
BV	31.2	30.9	32.6	35.1	41.6
Cash per Share	1.2	0.6	8.3	6.0	9.3
DPS	-	0.5	1.0	1.0	1.0
Operating Ratios (%)					
Operating margin	18.0	21.8	30.2	28.0	27.8
EBIT margin	10.4	8.0	14.2	14.0	17.0
Net margin	3.8	0.5	4.5	4.7	7.3
Return Ratios (%)					
RoE	3.6	0.9	8.8	10.5	18.4
RoCE	3.8	5.2	10.8	13.4	21.5
RoIC	3.9	5.3	12.2	14.7	24.6
	FY13	FY14	FY15E	FY16E	FY17E
Valuation Ratios					(x times)
EV / EBITDA	38.0	17.6	10.2	8.7	6.2
P/E	147.1	600.6	57.2	44.6	21.5
EV / Net Sales	6.8	3.8	3.1	2.4	1.7
Sales / Equity	0.9	1.7	1.9	2.2	2.5
Market Cap / Sales	5.6	3.1	2.6	2.1	1.6
Price to Book Value	5.3	5.3	5.1	4.7	4.0
Dividend yield	-	0.3	0.6	0.6	0.6
Turnover Ratios					(x times)
Asset turnover	0.5	0.6	0.7	0.9	1.2
Debtors Turnover Ratio	15.4	10.7	15.9	15.9	15.9
Creditors Turnover Ratio	9.1	7.9	8.1	8.1	8.1
Inventory Turnover	8.8	7.2	7.4	7.6	7.8
Solvency Ratios					(x times)
Debt / Equity	1.2	1.2	1.2	1.0	0.6
Current Ratio	4.4	2.7	2.9	3.0	2.9
Quick Ratio	3.5	2.2	2.4	2.3	2.2
Debt / EBITDA	7.2	3.3	2.0	1.5	0.8

Source: Company, ICICIdirect.com Research

Exhibit 28: DuPont Analysis

(%)

	FY13	FY14	FY15E	FY16E	FY17E
PAT/PBT	60.3	80.5	59.0	49.5	50.6
PBT/EBIT	60.7	8.1	54.4	67.7	85.5
EBIT/Sales	10.4	8.0	14.2	14.0	17.0
Sales/Asset	34.8	63.0	73.4	92.1	121.6
Asset/Equity	272.3	271.1	265.2	244.1	205.9
ROE	3.6	0.9	8.8	10.5	18.4

Source: Company, ICICIdirect.com Research

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